



# DON'T WORRY, **RETIRE HAPPY**

*Getting Ready to Retire and Take Income*



Iowa  
**Retirement Investors' Club (RIC)**  
Look forward to retirement!



- **Program Review**
- **Contributions/roll-ins**
- **Investments**
- **In retirement**
- **Taxes**



## Program review

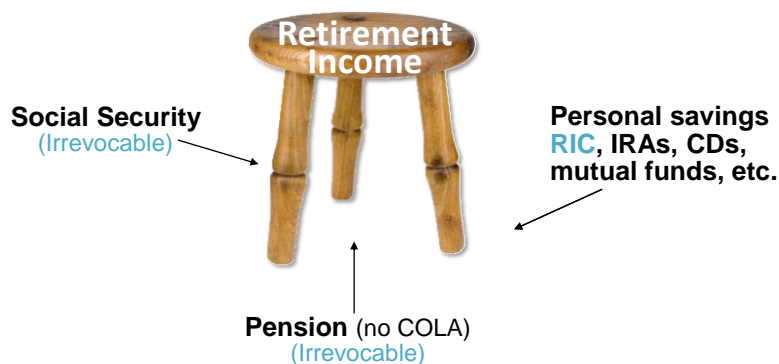
The Iowa **Retirement Investors' Club (RIC)** is administered for the exclusive benefit of all participants and beneficiaries.

Participants enjoy:

- Tax advantages
- Diversified no-cost/low-cost investment options with no penalties or restrictions
- Flexible distribution options

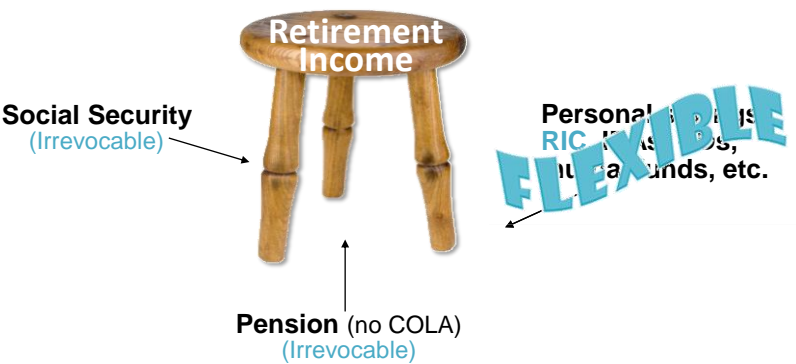
## Program review

In retirement, RIC is the your flexible source of income.



# Program review

In retirement, RIC is the your flexible source of income.



# Program review

RIC participants have **2 RIC accounts**.

- **457 plan** employee contribution account

Your Paycheck

Pretax & Roth

	Pretax	Post-tax Roth*
Tax treatment of deductions	No withholding	Regular income tax withholding
Immediate tax benefit	Lower taxable income reported	None
Tax treatment of earnings	Tax-deferred until withdrawn as cash	Tax-free for qualified distributions

**Don't need new account for Roth**

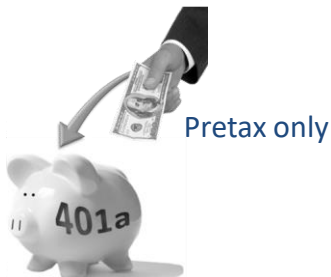
\*This is not a Roth IRA

## Program review

RIC participants have **2 RIC accounts**.

- **457 plan** employee contribution account
- **401a plan** employer contribution only account

Employer match contributions of **up to \$75/month** are deposited to your 401a plan



## Program review

RIC participants have **2 RIC accounts**.

- **457 plan** employee contribution account
- **401a plan** employer contribution only account



**No vesting requirements!**

## Program review



Once you leave employment, your RIC assets are yours!

**RIC plans provide great benefits throughout your retirement years!**

It's important to be familiar with your RIC plan benefits so you can make informed decisions about your income and investments.

## Contributions (limits)



The total of all contributions (pretax and/or post-tax) made to the 457 account in a tax year must not exceed the IRS annual maximum limits.

IRS 457 Maximum Contribution Limits		2021	2022
Regular	100% of compensation up to:	\$19,500	\$20,500
Age 50+	Regular limit + \$6,500	\$26,000	\$27,000

## Contributions (limits)



### 3-Year Catch-Up (3YCU)

- Have contributions to “catch-up on”
- Be within 4 years of IPERS normal retirement\*
- Available for 3 consecutive years
- Request a 3YCU Worksheet

**3-Year Catch-Up Worksheet**

Retirement Worksheet (July 2012)  
457/401a Plans  
Last Revised for retirement

If you have not contributed the 457 maximum limit each year, you may be eligible to catch up on missed contributions with this 3-year catch-up benefit. To qualify, you must be within three years of normal retirement age. For more information on eligibility, visit <http://www.ipers.state.tx.us>. This worksheet allows you to request to your payroll office to determine your amount of missed contributions.

IRS 457 Maximum Contribution Limits		2021	2022
Regular	100% of compensation up to:	\$19,500	\$20,500
Age 50+	Regular limit + \$6,500	\$26,000	\$27,000
3-Year Catch-up	Up to twice the regular limit	\$39,000	\$41,000

\* Rule of 88, Rule of 62/20, or are age 65 (POR- Age 55 & 22 years of service)

## Contributions (final pay)

### Final pay

You may defer all or a portion of your final pay to RIC (within IRS annual maximum limits).

$$\begin{array}{c}
 \text{40 HOURS} \\
 \text{+} \\
 \text{UNUSED VACATION} \\
 \text{+} \\
 \text{UNUSED SICK DAYS} \\
 \text{Up to \$2,000}
 \end{array}
 = \text{Final Paycheck}$$

*Final Paycheck* is associated with Roth and Pretax options.

All 457 assets are available at retirement.

## Contributions (change request)

### Deduction changes

- For **final pay deduction changes**, submit a [Special Deduction Request form](#) by last day of employment.
- All **other deduction changes** are made in [workday](#).
  - Log in and choose the Benefits worklet
  - Click the Retirement Benefits tab and follow prompts to the 457 Plans Available screen
  - Choose the Benefit Plan option that includes your:
    - Provider
    - Tax preference (pretax or Roth)
    - Desired Payroll frequency

## Roll-ins

Outside retirement plan assets may be rolled into and out of RIC at any time. This is a non-taxable transfer.



**IRA (non-Roth),  
401k, 403b  
(TSA), 457, 401a**

**Consider RIC benefits** of penalty-free competitive fixed rate accounts, no-load/low-cost mutual funds, expert advisors, etc. for your outside retirement assets.

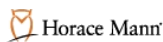
## Investments (selection)

**Provider products are competitively bid** and must meet the RIC investment policy standards and annual review requirements.

### Here are a few things you can expect:

- Diversified, competitive fund line-up
- No sales charges or transfers between funds
- 24/7 internet/phone account access
- No restrictions or fees for eligible distributions
- Flexible payment options at separation from employment
- Investment planning tools and advisors to help you plan

## Investments



Investment options include index and target date funds from various investment managers, fixed rate accounts, and self-directed brokerage accounts.

### Bond (Income)

Fixed Rate (safety)  
Interm-Term High-  
Quality Core Bond  
High-Yield Bond  
TIPS (Treasury Inflation-  
Protected Securities)  
Global Bond

### Stock/Bond (Balanced)

Traditional Balanced  
Lifecycle (target date)

### Stock (Growth)

Large Capital Stock Index  
Large Capital Value Stock  
Large Capital Growth Stock  
Mid-Capital Stock Index  
Mid-Capital Value Stock  
Mid-Capital Growth Stock  
Small Capital Stock Index  
Small Capital Value Stock  
Small Capital Growth Stock  
Total US Stock Mkt Index

### International

Int'l Developed Mkts  
Int'l Emerging Mkts  
World

### Alternative

Real Estate  
Socially Responsible  
Self-Directed Brokerage  
Account (SDBA)

\* Empower – formerly MassMutual Retirement



# Investments



All options fall into 2 main categories

## Fixed Rate



- Declared rate-fixed period
- No market risk
- No restrictions/maturities
- No fees

## Mutual Funds



- Variable Rate
- Degrees of market risk
- No restrictions/maturities
- No sales charges or loads

Total fee range (as of 4/2021) = .03% - 1.07%

Investment options include index and target date funds from various investment managers, fixed rate accounts, and self-directed brokerage accounts.

\* Empower – formerly MassMutual Retirement

# Investments

## Investment options for retirees

Each investor has different needs and goals as they approach retirement.



Help from local advisor at no additional cost



No-load growth funds & auto-rebalancing



Fixed rates, no market risk, fees, or restrictions



Manage my own stocks & bonds online



Target-date funds to provide income in 10 yrs.

# Investments

## No-cost advisor services

RIC provider representatives can evaluate your investment mix, suggest changes (if needed), and explain risks associated with each investment.



# Investments

Access to provider websites, quarterly fund performance, advisor listings, fixed rates, etc. are easily accessed from the [RIC website](#).



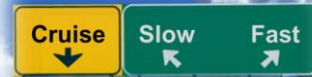
## In retirement

### At separation from employment

You do not have to take your money out until you want it or turn age 72\*, whichever is first.

**Distribution requests are made directly to your provider.** State authorization is not required.

You choose how much and when and how you take your money.



**Consider what's most important to you...**

\*Required Minimum Distribution - IRS requires annual minimum distributions begin no later than April of the year following the year you attain age 72 or retire, whichever is later.

## In retirement

### Make a list of what's important

- Supplement SS and pension income
- Projected date of income need
- Health insurance needs
- Death benefits (beneficiaries, spouse's income)
- Lifestyle in retirement (hobbies, travel, purchases, clubs, etc.)
- Investment goals (safety, income, growth)
- Need for liquid cash (emergencies, extra income)
- Whatever else comes to mind...



**Everyone has different income needs.**

## In retirement

Retiree income needs differ. RIC options include:

				
Stay invested & defer taxes until my RMD	Partial lump sums as I need them	Guaranteed income for my lifetime	Lump sum for new business & monthly income	Periodic payments I can change

Bottom line...**You have choices!**

## In retirement



- Stay invested in RIC
- Take income
- Roll out of RIC
- Purchase pension credits

## In retirement (stay invested)

### Staying invested in RIC

- No future contributions allowed.
- Assets remain invested and tax-advantaged.
- Investments remain liquid with no surrender fees.
- Change investments/providers at any time. (If a new provider becomes available, you may take advantage of the new offerings.)
- Account access is available 24/7.
- Eligible roll-ins are accepted at anytime.



## In retirement (stay invested)

### Staying invested in RIC

#### IRS Required Minimum Distributions (RMD)

- The IRS requires annual minimum distributions to begin no later than the year you turn age 72\* or retire, whichever is later.
- You have up until April of the following year to take your first distribution without penalty.
- **If you fail to take distribution on time, you are subject to a 50% penalty on the required distribution amount.**
- Unused assets remain invested and available for additional distributions unless you annuitize.



## In retirement (take income)

Once you leave employment, you may take cash at any time without product restrictions or fees.

Cash may be taken:

- **As you need it** (flexible)
- **As lifetime income** (irrevocable)
- **Any combination**



## In retirement (take income)

**As you need it** **FLEXIBLE**

- Lump sum payments (no maximum limits)
- Periodic payments
  - You choose payment amount and frequency. (fixed dollar amount, percentage, even distribution, etc.)
  - Increase, decrease, stop, as income needs change.
  - Unused assets remain invested and available for additional distributions unless you annuitize.

## In retirement (take income)

Lifetime Income ~~FLEXIBLE~~

You **purchase** a lifetime income annuity with all or a portion of your RIC assets.

- Payments continue for your lifetime even if you exhaust your purchase amount.
- Payments are irrevocable.
- No access to unused purchase balance for investment selections or additional distributions.
- No transfer of assets to beneficiaries.

## In retirement (take income)

Lifetime Income ~~FLEXIBLE~~

### Calculation options

#### Single life

(your lifetime only )



#### Joint life

(your lifetime and that of 1 survivor)



May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.

## In retirement (take income)

Lifetime Income ~~flexible~~

### Single life example

#### Example

Invested amount: \$100,000

Life expectancy: 18 years (life expectancy predicted to be age 83)



Income Benefit: **\$9,006.00/yr**

May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.

## In retirement (take income)

Lifetime Income ~~flexible~~

### Single life example

Lives to be age **95?**

Lifetime benefit=

**\$270,180.00** (\$9006 x 30 years)

Lives to be age **70?**

Lifetime benefit=

**\$45,030.00** (\$9006 x 5 years)

His balance of more than \$55,000 goes to the insurance company.



May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.



## In retirement (take income)

Lifetime Income ~~flexible~~

### Joint life example

---

#### Example

Invested amount: \$100,000

Life expectancy: 27 years (combined life expectancy)



Income Benefit: **\$7,600.00/yr**

May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.

## In retirement (take income)

Lifetime Income ~~flexible~~

### Joint life example

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#### Example

Invested amount: \$100,000

Life expectancy: 27 years (combined life expectancy)



Income Benefit: **\$7,600.00/yr**

*If the annuitant's survivor dies before him, he continues to receive the joint benefit amount. Upon his death, the unused portion of his account will go to the insurance company.*



May be suitable for those who have longevity in their family, limited income sources, and/or no beneficiaries.

## In retirement (rollover)

### Rollover to an outside retirement plan\*

*“Should I move to an IRA?”*

IRAs have similar investment risks and may be more costly or restrictive than your RIC accounts.



### Be ready to compare...

\*If rolled to outside plan, an IRS 10% penalty may apply to taxable distributions prior to age 59 ½.

## In retirement (rollover)

### You may hear...

“Investment selection is limited in RIC.”

“IRAs are safe.”

“You’re paying too much in RIC.”

“IRAs have more payment options.”

“I can’t help you if you stay in RIC.”

“I don’t get paid if you stay in RIC.”

### What you know...

RIC has fixed rate options (no fees) plus over 125 mutual funds managed by top-performing investment managers at low cost.

IRA investments have the same risks as all investments and should not be thought of as safe investments in general.

RIC has no annual contract, M&E, or surrender fees, and no to low administrative fees. Many RIC fund shares are lower cost than retail shares due to economies of scale.

RIC accounts have no restrictions, surrender penalties, maturities, etc. Your money is always liquid. Payment options are numerous. No withdrawal penalty prior to age 59 ½ for 457.

They can tell you if the investments you hold in RIC complement what they manage. In many cases they can represent an RIC provider.

Low RIC fees are part of the plan design and may not pay the advisor as much as retail investments in IRAs.

*They’re looking for you*



## In retirement (IPERS purchase)

### Service Credit Purchase

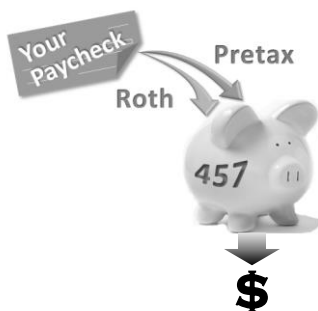
Once you file for IPERS benefits, you may purchase service credits with both pretax 457 and 401a match assets.



Rollover is non-taxable. Roth assets are not available for service credit purchases.

## Taxes

**Taxable distributions** - taxed as ordinary income and reported on IRS 1099R, however...

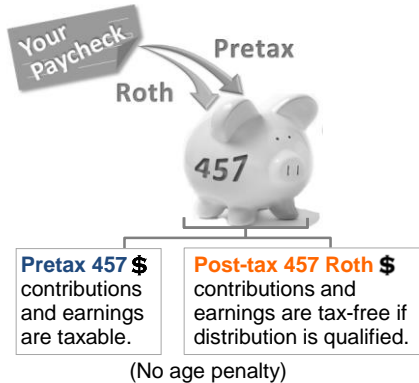


**Mandatory withholding** -  
minimum income tax  
withholding of 20% federal  
and 5% state\*

\* Exceptions on request: RMD; annuitization; irrevocable equal payments for 10+ years; reside outside of Iowa (Iowa tax exemption)

# Taxes

**Tax treatment of distributions differs**  
depending on the taxation of contributions.



## Qualified Roth Distribution:

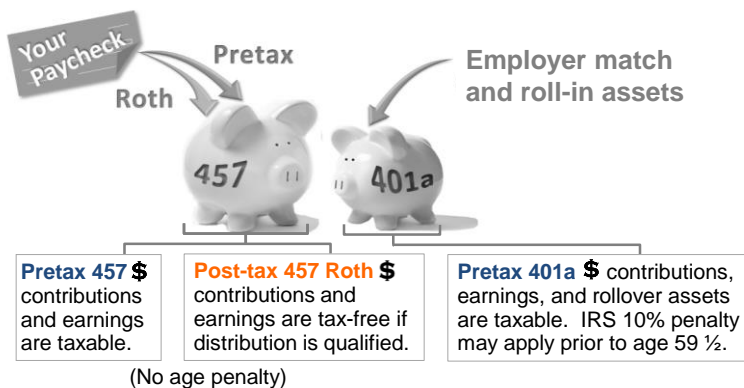
Roth earnings are tax-free if:

- Distributable event occurs;
- Roth account open for 5+ years;
- You are age 59 ½+ or disabled

*Non-qualified Roth distributions subject to taxation of earnings portion of the distributed amount.*

# Taxes

**Tax treatment of distributions differs**  
depending on the taxation of contributions.



## Benefits for all ages

Even if you are less than 5 years from retirement...

- Employer match up to \$75/month
- Automatic savings
- Tax benefits-lower taxes now or no taxes later (Roth)
- Fixed interest rate accounts (no maturities or fees)
- No-load, low-cost mutual funds (through retirement)
- Advisor services at no additional cost
- No surrender penalties or distribution fees
- No vesting requirements
- No age penalty for eligible 457 plan withdrawals

Get started today!

## Enrollment

Enrollment is always open

Step  
**1**



### WITH A PROVIDER:

Complete 457/401a provider accounts & select investments. [See enrollment options](#)



Step  
**2**



### IN WORKDAY:

Make 457 payroll deduction election(s) [See instructions](#)



View [RIC Enrollment](#) and [Providers & Investments](#) for additional information.

## Resources

- Call your provider if you have any questions about reviewing your statements.
- Access your account online.
- Review the RIC website.  
(<https://das.iowa.gov/RIC>)
- Contact us if you need help.  
Robbie Stoecker  
515-242-6846  
[robbie.stoecker@iowa.gov](mailto:robbie.stoecker@iowa.gov)



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